



Suncor Energy Inc.: What to Expect in 2016

Description

While many energy companies suffered in 2015, **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) weathered the storm extremely well. The company's outperformance was so strong that CEO Steve Williams was named CEO of the year by *Report on Business Magazine*.

So what should shareholders expect in the coming year?

A successful Canadian Oil Sands bid

Suncor is currently trying to acquire **Canadian Oil Sands Ltd.** (TSX:COS), and judging by its share price, investors largely expect the bid to be successful. Assuming they are correct, Suncor will then own 49% of the Syncrude oil sands joint venture. The company may also try to exert greater influence on the project.

Continuing to squeeze

Even if Suncor is successful with its bid, you should expect more takeover attempts. Remember, Suncor is already a part owner of Syncrude, meaning that integrating Canadian Oil Sands would be a breeze. And since Suncor is bidding for Canadian Oil Sands with stock (rather than cash), the balance sheet should remain strong enough to pursue other acquisitions.

Of course, Suncor's strategy will largely depend on oil prices. If prices stay low or fall even further, then many competitors will be seriously weakened. We may even see some major bankruptcies. This would allow Suncor to scoop up assets for a bargain.

On the other hand, if oil prices recover, then the weaker players will no longer be looking to sell. And even when an acquisition opportunity does come along, Suncor would likely face stiff competition. Thus, the company probably wouldn't be so acquisitive in this scenario.

Continuing to survive

Other than its acquisition strategy, Suncor's year will be relatively unaffected by oil prices. Even if

prices decline, Suncor's refining & marketing division will benefit (since gasoline prices tend to lag oil prices on the way down), helping to cushion the blow.

To be more specific, Suncor will still develop the Fort Hills oil sands project, even if prices decline. And the company should have no problem maintaining its dividend, too.

Limited upside

Suncor's ability to weather the oil downturn has made the company very popular with fund managers. This has helped support its stock price.

For that reason, there's very limited upside in Suncor's shares, even if oil prices recover strongly. So if you're looking to bet on oil prices, you should certainly look elsewhere.

CATEGORY

1. Energy Stocks
2. Investing

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Author

bensinclair

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